(b) whether "under-recovery" has got any link with actual production cost of petroleum products; and

(c) if so, the details thereof?

THE MINISTER OF STATE IN THE MINISTRY OF PETROLEUM AND NATURAL GAS (SHRI DINSHA J. PATEL): (a) to (c) The concept of "Under-Recovery" and "Loss" was examined by "Committee on Pricing and Taxation of Petroleum Products"—Chaired by Dr. C. Rangarajan, Chairman, PM's Economic Advisory Council. The Committee observed that:

> "Refining of crude oil is a process industry where crude oil constitutes around 90% of the total cost. Since value added is relatively small, determination of individual product-wise prices becomes problematic. The oil marketing companies (OMCs) are currently sourcing their products from the refineries on import parity basis which then becomes their cost price. The difference between the cost price and the realized price represents the under-recoveries of the OMCs.
>
> The under-recoveries as computed above are different from the actual profits and losses of the oil companies as per their published results. The latter take into account other income streams like dividend income, pipeline income, inventory changes, profits from freely priced products and refining margins in the case of integrated companies."

Based on the recommendations of Rangarajan Committee, the Government has changed the pricing of petrol and diesel from Import Parity to Trade Parity basis.

Spending of foreign exchange on import of oil

1979. SHRI M.V. MYSURA REDDY: Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

(a) whether there is a gap in the demand and supply of oil in the country;

(b) if so, the reasons therefor;

(c) the quantum of oil imported by Government during the last three years; and

(d) the details of foreign exchange spent to import oil during this period?

THE MINISTER OF STATE IN THE MINISTRY OF PETROLEUM AND NATURAL GAS (SHRI DINSHA J. PATEL): (a) and (b) Yes. Sir. The gap in demand and supply of oil is due to the increase in our domestic refining capacity and consumption whereas the domestic production of crude oil has remained almost stagnant.

(c) and (d) The details of crude oil imported by the oil companies during the last three years are as under:

Year	Quantity (MMT)*	Value US$(Million)
2005-06	99.4	38776
2006-07	111.5	48389
2007-08 (upto January' 08)	101.3	54431

*Million Metric Tonne.